



Docket Number R-1723 and RIN Number 7100-AF94

Board of Governors of the Federal Reserve System  
Attn: Chairman Jerome H. Powell  
Marriner S. Eccles Federal Reserve Board Building  
2051 Constitution Ave. NW,  
Washington, DC 20418

Dear Mr. Chairman:

The Federal Reserve Board (Fed) has an opportunity to strengthen CRA exams in order to promote recovery from the COVID-19 pandemic. The Fed has described approaches in its Advance Notice of Proposed Rulemaking (ANPR) on CRA that will make CRA exams more objective. Like so many update regulations, implementation and enforcement take on a great deal of importance. Enhance CRA oversight and enforcement are necessary to assure that banks will engage in serious efforts to help communities of color and low- and moderate-income (LMI) neighborhoods recover from the pandemic.

The East Dallas Community Organization (EDCO) provides support for the revitalization of specific Dallas communities seeking safe, vibrant and productive neighborhoods which contribute to the quality of life in Dallas. EDCO plans to accomplish its goals through acquisition of property and funding to construct housing for low-income families and individuals. As a natural extension of this work EDCO provides solutions to food deserts, job training opportunities and economic development within the neighborhoods where we provide housing solutions.

In 1993, East Dallas Community Organization (EDCO) was formed to address issues affecting East Dallas residents, including public safety, the need for better housing, code enforcement, a business incubation center, improved and additional schools, English as a second language, and a

community forum. We remain extraordinarily concerned at the resiliency of the communities as we continue to manage the COVID pandemic.

NCRC recently released a report finding a strong relationship between redlining and susceptibility to COVID. Redlined neighborhoods have the highest levels of health conditions such as asthma, diabetes and kidney disease, which make residents more susceptible to COVID-19. Life expectancy is almost four years lower in redlined communities.

Since the start of the pandemic, about 41% of African American businesses have been closed compared to just 17% of White-owned small businesses. Discrimination in lending contributes to these differences in survival rates. A [NCRC investigation](#) found that African Americans applying for Paycheck Protection Program (PPP) loans for their small businesses during the pandemic were likely to receive less information than Whites.

CRA must be strengthened in order to combat discrimination. The Fed emphasizes improving the performance measures on CRA exams including those used on the lending test that compare a bank's percent of loans to LMI borrowers to other lenders. The Fed does not describe in detail the impact of its reforms on CRA ratings except to hint that banks may continue to receive the same grades.

Moreover, the Fed is proposing to reduce the number of ratings on a state level and on subtests from five to four. This proposal would result in fewer distinctions in performance whereas new CRA exams must reveal more distinctions in order to motivate banks to be more responsive to COVID-19 recovery needs. Five ratings must be retained on the state level and on subtests.



The Fed asks whether underserved areas should be designated based on high levels of poverty or low levels of retail lending. NCRC advocated an approach based on low levels of lending which would effectively target redlined neighborhoods and communities of color.

We also ask the Fed to consider explicitly including race on CRA exams. The agencies have hesitated to do so but we believe that the CRA statute allows this since the law emphasizes banks meeting credit needs in all communities, but particularly underserved ones. CRA exams could include performance measures assessing lending, investing, branching and services to people of color and communities of color. The Fed could also provide CRA consideration for lending and investing in majority minority census tracts outside of assessment areas just as the Fed is considering for Indian reservations and other underserved areas.

In the interest of reaching underserved areas, we strongly support the Fed's proposals to improve data collection including community development financing data, which would better enable stakeholders to determine communities most in need.

We support the Fed's proposals to expand assessment areas, which are geographical areas on CRA exams. In addition to areas around branches, assessment areas must also include areas outside of branches with significant amounts of bank lending or deposit taking.

We do not support expanding financial education to any income since LMI consumers and people of color are most likely to be unbanked as revealed by surveys of the Federal Deposit Insurance Corporation (FDIC). Likewise, the Fed should further develop its procedures for awarding CRA credit for financing affordable housing that is unsubsidized so that such financing actually serves LMI residents.



Finally, we applaud the Fed proposal to eliminate distinctions in the rigor of examination among assessment areas that have resulted in banks neglecting smaller cities, rural counties and Native American reservations.

We appreciate the direction the Fed has embarked upon but caution that it must not end up with proposals that replicate existing CRA ratings inflation as this will not help our communities devastated by COVID-19.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ken Montgomery". The signature is stylized and cursive.

Ken Montgomery,  
Acting Executive Director  
EDCO Communities